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FY2005 Defense Budget: Frequently Asked Questions

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FY2005 Defense Budget: Frequently Asked Questions

Summary

This report is designed to provide facts and figures about the United States defense budget in order to help answer frequently asked questions about defense spending. The answers to these questions are based on analysis of recent and historical trends in the defense budget up to and including the fiscal year (FY) 2005 budget request.

Using figures taken primarily from the White House Office of Management and Budget's (OMB's) *Budget of the United States Government, Fiscal Year 2005: Historical Tables* (February 2004), this report answers frequently asked questions that fall within four categories:

- (1) trends in defense spending over time, from World War II through OMB's FY2009 budget projections (questions 1, 2, 3, and 4);
- (2) the impact of defense on the economy (questions 5, 6, and 7);
- (3) costs of wars and supplemental appropriations (questions 8 and 9);
- (4) trends in force structure (questions 10, 11, and 12).

The fifth section of the report consists of additional, more general budget data tables and a glossary of frequently used budget terms.

This report will be updated as necessary.

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FY2005 Defense Budget: Frequently Asked Questions

Introduction

This report is designed to answer Congress's most frequently asked questions and provide essential facts and figures about the defense budget. It includes figures from the president's fiscal year (FY) 2005 budget request and provides brief analyses of recent and historical trends in the defense budget.

Each frequently asked question about the defense budget falls within one of the following four sections in this report:

- (1) trends in defense spending over time, from World War II through OMB's FY2009 budget projections (questions 1, 2, 3, and 4);
- (2) the impact of defense on the economy (questions 5, 6, and 7);
- (3) costs of wars and supplemental appropriations (questions 8 and 9);
- (4) trends in force structure (questions 10, 11, and 12);

The fifth section of the report consists of additional data tables with historical budget authority and outlay figures, and a glossary of frequently used budget terms.

Most of the figures used in this report are taken from annual budget documents prepared by the Office of Management and Budget (OMB).¹ It is important to note that OMB figures for budget authority and outlays through FY2004 include both regular and supplemental appropriations. As a result, budget authority and outlay totals for FY2003 and FY2004, which included significant supplemental appropriations, are sometimes larger than totals for FY2005, which represent the president's FY2005 request and do not include any FY2005 supplemental appropriations. In addition, please note that the budget authority and estimated outlay figures for the president's FY2005 request include the \$25 billion budget amendment for Iraq and Afghanistan submitted by the president to Congress on May 12, 2004. Outlay estimates provided by the Congressional Budget Office (CBO) for the \$25 billion amendment are added to OMB outlay projections for FY2006-FY2009 included in this report.

Please note as well that all figures provided for FY2006 through FY2009 in this report are either OMB, CBO, or Department of Defense projections, and represent neither congressional appropriations nor the President's request.

¹Most figures are from the Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004.

Key Budget Terminology

The federal budget has its own unique vocabulary, a basic understanding of which is essential to understand the significance of defense budget figures and trends. The following budget terms, which will be used often in this report, are frequently used, yet sometimes misunderstood.

Budget Authority, Obligations, and Outlays. When Congress appropriates money, it provides agencies with “budget authority.” Budget authority gives an agency the legal authority to obligate money for the provision of goods or services. Appropriations are the most common, but not the only, type of budget authority.²

Obligations then occur, for example, when agencies enter into contracts, submit purchase orders, and employ personnel. When those obligations are liquidated — or in simpler terms, when the “check is written” and the performance of an obligation is paid for — outlays occur.

The term “defense spending” technically refers to outlays, although budget authority and outlays are frequently confused in budget discussions.

The “050” vs. the “051” Budget Function. The federal budget is divided into several functions, including the National Defense Budget Function, or “050” function. The 050 function consists of three sub-functions — Department of Defense (051), atomic energy defense activities (053), and defense-related activities in other agencies (054).

Thus, “national defense” spending consists of more than just the Department of Defense’s annual expenditures. Although the majority of the 050 function consists of the Department of Defense (051) function, the 050 function also consists of billions of dollars (\$16.75 billion in FY2004) appropriated to the Department of Energy for atomic energy defense activities.

This report contains figures for both the 050 and 051 functions, depending on which is most useful to the reader.

Current and Constant Dollars. The cost of goods or services in current dollars is the value of such goods or services in terms of prices current at the time of purchase. For example, FY1985 national defense outlays in current dollars represent the amount spent on national defense in FY1985 according to what the dollar was worth in FY1985. Current dollars may also be referred to as “then-year” dollars.

The cost of goods or services in constant dollars is the value adjusted to eliminate the effects of changes in prices (usually due to inflation). Constant dollars, expressed in terms of a particular reference year (normally the current budget year),

²Other types include borrowing authority and contract authority — for further explanation of these terms, see Allen Schick, *The Federal Budget: Politics, Policy, Process* (Washington, D.C.: Brookings Institution Press, 2000).

are determined by dividing current dollars by a deflator based on the prices in the reference year.

Constant dollars are used to measure the growth rates of programs over time independently of the effects of inflation. For this reason, figures in this report measuring trends in the defense budget use constant-dollar figures.

Discretionary and Mandatory Spending. Within the federal budget, budget authority is classified as either discretionary or mandatory. Generally, budget authority is discretionary if provided by Congress in appropriations acts and mandatory if provided in permanent authorizing law (examples include Social Security, Medicare, and federal employee retirement). However, a portion of mandatory budget authority, including Medicaid and certain veterans' programs, is funded in annual appropriations acts.

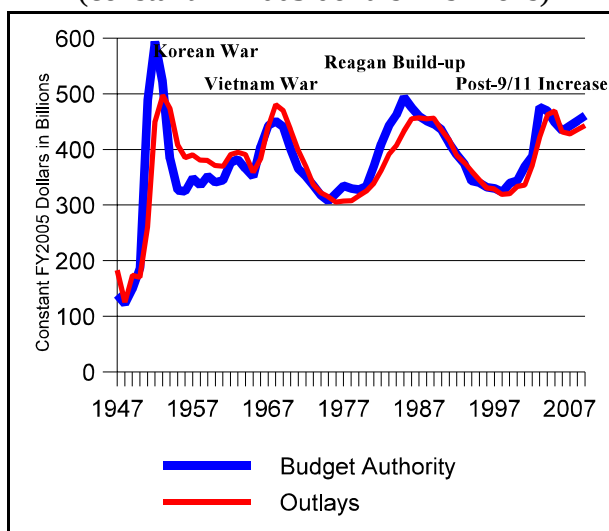
Discretionary budget authority must be renewed annually, while most mandatory budget authority is available automatically each year without legislative action by Congress. Outlays are also classified as discretionary or mandatory according to the classification of the budget authority from which they flow.

Part I: Trends in Defense Spending Over Time

The following section (questions 1, 2, 3, and 4) provides figures and an analysis of trends in defense spending over time.

Question 1: What Are the Recent, Historic, and Projected Trends in Budget Authority and Outlays for National Defense?

Figure 1. National Defense Budget Authority and Outlays, FY1947-FY2009
(constant FY2005 dollars in billions)



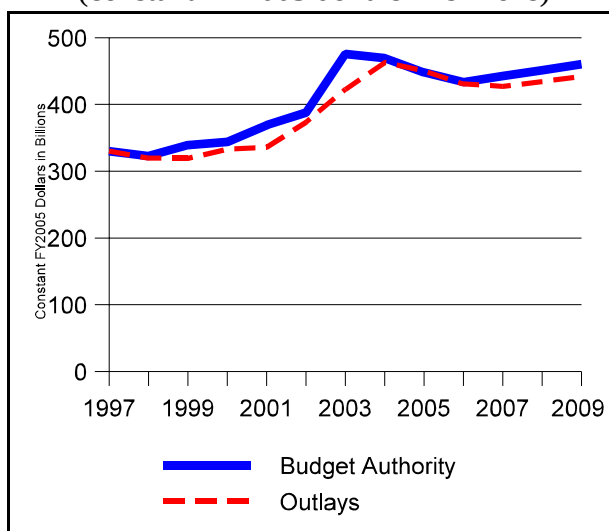
Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, pp. 53-58, 82-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]. Figures for FY2006-FY2009 are projected; CBO estimated outlays for the \$25 billion budget amendment for Iraq and Afghanistan are included in FY2005-FY2009 outlay figures.

Figure 1 shows the pattern of budget authority and outlays since World War II. Since 1947, there have been four periods of significant increases in budget authority and outlays — the Korean War, the Vietnam War, the Reagan era military build-up, and the post-9/11 defense spending increases. Each period to date has been followed by a period of significant decreases in budget authority and outlays.

Following the end of the Cold War and the disappearance of the Soviet threat, some observers believed that this cyclical pattern in budget authority and outlays would end with a long, or even permanent, decline in defense spending.³ However, the events of September 11, 2001, and the subsequent wars in Afghanistan, Iraq, and the ongoing Global War on Terrorism ended the decline in budget authority and outlays that had continued through most of the 1990s.

Figure 2 shows recent trends in budget authority and outlays from FY1997 through projected totals for FY2009. **Table 1**, below, shows budget authority and outlays in current and constant FY2005 dollars for both the national defense budget function (the “050” function) and the Department of Defense budget (the “051” function) from FY1997 through FY2009.

Figure 2. National Defense Budget Authority and Outlays, FY1997-FY2009
(constant FY2005 dollars in billions)



Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, pp. 58-59, 84-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]. Figures for FY2006-FY2009 are projected; CBO outlay estimates for the \$25 billion budget amendment for Iraq and Afghanistan are included in FY2005-FY2009 outlay figures.

FY1998 was the final year of a period of decline in budget authority and outlays that began in FY1986. From FY1999 through FY2001, budget authority and outlays increased modestly in real terms, by 8.6% and 4.8%, respectively. From FY2001 through FY2004, budget authority increased by 27.7% and outlays increased by

³Colonel Joe Conley, “Impacts of Declining Budgets and Defense Mergers on the Department of Defense,” U.S. Army War College, Carlisle Barracks, PA, April 2002, p.3.

37.7%. The Bush Administration's regular FY2005 national defense budget request of \$423.1 billion, when combined with the administration's \$25 billion budget amendment for Iraq and Afghanistan submitted to Congress on May 12, 2004 and a supplemental request that is expected early in calendar year 2005, will most likely exceed FY2004 budget authority.

Table 1. National Defense Budget Function and Department of Defense Budget, FY1997-FY2009

(current and constant FY2005 dollars in billions)

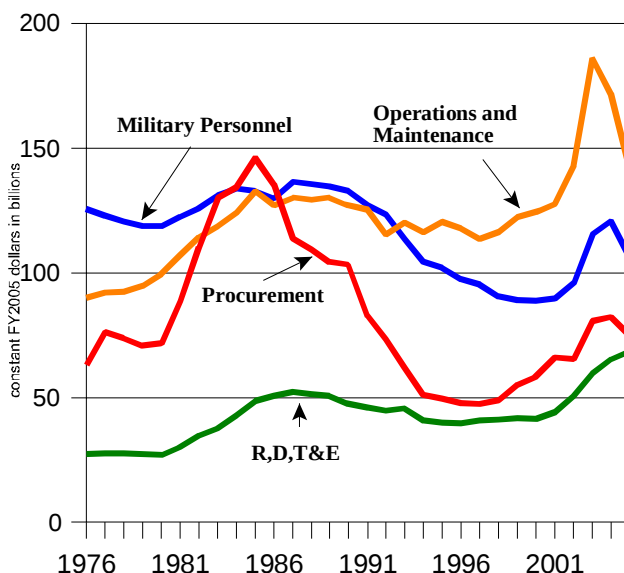
Fiscal Year:	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Req. 2005	Proj. 2006	Proj. 2007	Proj. 2008	Proj. 2009
National Defense Budget Function													
Budget Authority													
Current year dollars	270.4	271.3	292.3	304.1	335.5	362.1	456.2	460.5	448.1	444.0	464.8	485.8	508.2
Constant FY2005 dollars	330.3	323.1	339.5	344.2	368.9	387.6	476.0	469.7	448.1	433.7	443.0	451.5	460.5
Real growth/decline	-0.7%	-2.2%	5.1%	1.4%	7.2%	5.1%	22.8%	-1.3%	-4.6%	-3.2%	2.1%	1.9%	2.0%
Outlays													
Current year dollars	270.5	268.5	274.9	294.5	305.5	348.6	404.9	453.7	469.4	441.0	447.9	467.4	487.4
Constant FY2005 dollars	328.9	318.9	320.3	333.5	335.6	372.3	422.5	462.1	469.4	431.3	427.9	435.7	443.2
Real growth/decline	-0.6%	-3.0%	0.4%	4.1%	0.6%	10.9%	13.5%	9.4%	1.6%	-8.1%	-0.8%	1.8%	1.7%
Department of Defense													
Budget Authority													
Current year dollars	257.9	258.5	278.5	290.4	319.4	345.0	437.9	441.7	427.6	423.7	444.9	466.8	488.9
Constant FY2005 dollars	315.2	307.9	323.5	328.8	351.3	369.2	456.9	450.5	427.6	413.8	424.1	433.8	443.0
Real growth/decline	-0.8%	-2.3%	5.1%	1.6%	6.8%	5.1%	23.8%	-1.4%	-5.1%	-3.2%	2.5%	2.3%	2.1%
Outlays													
Current year dollars	258.3	256.1	261.3	281.2	291.0	332.0	387.3	434.8	448.4	420.5	427.7	447.9	468.1
Constant FY2005 dollars	314.1	304.2	304.4	318.4	319.7	354.6	404.0	442.9	448.4	411.3	408.6	417.5	425.6
Real growth/decline	-0.5%	-3.2%	0.1%	4.6%	0.4%	10.9%	13.9%	9.6%	1.2%	-8.3%	-0.7%	2.2%	1.9%

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, pp. 58-59, 84-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]. FY2005 Dept. of Defense deflators used for conversions to constant FY2005 dollars.

Note: FY2005-FY2009 outlay figures include unpublished CBO outlay estimates for the \$25 billion amendment to the FY2005 request submitted by the Administration to Congress on May 12, 2004.

Question 2: What Are the Recent Trends in Budget Authority for Each Defense Appropriations Title?

Figure 3. Department of Defense Budget Authority by Appropriations Title, FY1976-FY2005



Source: Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 82-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]; FY2005 deflators from DOD Comptroller.

Note: Figures for FY2005 do not include the \$25 billion budget amendment for Iraq and Afghanistan submitted by the Bush Administration to Congress on May 12, 2004, as the Administration's amendment did not allocate funds by appropriation title.

As shown in **Figure 3**, budget authority for procurement has varied far more than that of the other appropriations titles since FY1976. When national defense budget authority increased during this period — especially during the Reagan-era build-up — procurement budget authority increased sharply. On the other hand, when national defense budget authority was reduced significantly after the Cold War, procurement funding faced much deeper cuts than military personnel, operations and maintenance (O&M), and research, development, test, and evaluation (R,D,T&E). **Tables 2, 3, and 4** list recent budget authority in current year and constant year dollars, and outlay levels in current year dollars for each of these appropriations titles, respectively.

Budget authority for military personnel also declined considerably after the Cold War, due largely to the drawdown in active duty and selected reserve personnel that took place from 1989 to 1999. On the other hand, the O&M and R,D,T&E titles have, until recently, been funded at relatively steady levels during periods of overall increases and decreases in national defense budget authority.

Since FY2002, budget authority for each appropriations title has increased sharply, in part as a result of the wars in Iraq and Afghanistan and enhanced security for defense installations. Supplemental appropriations in FY2003 and FY2004 were

a major cause of the sharp increases in military personnel and O&M budget authority. Procurement and R,D,T&E have increased steadily in regular appropriations since FY1997, and have also received some additional funding in recent supplemental appropriations.

Table 2. National Defense Budget Function Trends by Appropriations Title, Budget Authority, FY1997-FY2009

(current year dollars in billions)

Fiscal Year:	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Req. 2005	Proj. 2006	Proj. 2007	Proj. 2008	Proj. 2009
Department of Defense (military activities only)													
Military Personnel	70.3	69.8	70.6	73.8	76.9	87.0	109.1	117.7	106.3	110.9	114.7	118.4	122.1
Operation & Maintenance	92.4	97.2	105.0	108.8	115.8	133.2	178.3	168.5	141.2	146.8	151.8	156.9	164.6
Procurement	43.0	44.8	51.1	55.0	62.6	62.7	78.5	80.9	74.9	80.4	90.6	105.1	114.0
RDT&E	36.4	37.1	38.3	38.7	41.6	48.7	58.1	64.7	68.9	71.0	70.7	71.6	70.7
Military Construction	5.7	5.5	5.4	5.1	5.4	6.6	6.7	6.0	5.3	8.8	12.1	10.8	10.2
Family Housing	4.1	3.8	3.6	3.5	3.7	4.0	4.2	3.8	4.2	4.6	4.5	3.6	3.5
Other	6.1	0.3	4.6	5.6	13.5	2.7	3.0	0.2	1.7	1.1	0.5	0.3	3.8
Budget Amendment ^a									25.0				
Subtotal, Department of Defense	258.0	258.6	278.6	290.5	319.5	345.0	437.9	441.7	427.6	423.7	444.9	466.8	488.9
Department of Energy													
Atomic Energy Defense Activities	11.4	11.7	12.6	12.4	14.4	15.3	16.4	16.8	17.2	18.1	17.6	16.7	16.9
Other Agencies													
Defense-Related Activities	1.0	1.0	1.1	1.2	1.6	1.8	2.0	2.1	3.2	2.3	2.3	2.4	2.4
Total, National Defense	270.4	271.3	292.3	304.1	335.5	362.1	456.2	460.5	448.1	444.0	464.8	485.8	508.2

Sources: Figures through FY2005 taken from the Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp.84-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]. Projected figures for FY2006-FY2009 for the Department of Defense taken from *National Defense Budget Estimates for FY2005*, Office of the Undersecretary of Defense (Comptroller), March 2004, p. 115, [http://www.defenselink.mil/comptroller/defbudget/fy2005/fy2005_greenbook.pdf].

^a \$25 billion amendment to the FY2005 request, for Iraq and Afghanistan, submitted by the Bush administration to Congress on May 12, 2004, [http://www.whitehouse.gov/omb/budget/amendments/amendment_5_12_04.pdf]. The Administration did not allocate the \$25 billion by appropriations title, so in this table the amendment is reflected separately from the appropriations titles but as part of the Department of Defense subtotal and national defense total.

Table 3. National Defense Budget Function by Appropriations Title, Budget Authority, Selected Years, FY1976-FY2005
(constant FY2005 dollars in billions)

Fiscal Year	Actual 1976	Actual 1980	Actual 1985	Actual 1990	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Req. 2005
Department of Defense (military activities only)													
Military Personnel	125.8	118.8	133.0	132.7	95.3	90.7	89.1	88.9	89.7	95.9	115.6	120.9	106.3
Operation & Maintenance	90.0	99.7	132.7	127.1	113.8	116.3	122.5	124.5	127.7	143.2	186.3	171.8	141.2
Procurement	63.0	71.9	146.3	103.3	47.5	49.1	55.3	58.6	66.1	65.4	80.8	82.2	74.9
RDT&E	27.3	27.2	48.6	47.5	40.8	41.1	41.9	41.6	44.1	50.9	59.8	65.6	68.9
Military Construction	6.3	4.4	8.6	6.6	6.4	6.1	5.9	5.5	5.8	7.0	6.9	6.0	5.3
Family Housing	3.7	3.0	4.4	4.1	4.6	4.2	3.9	3.8	3.9	4.2	4.3	3.9	4.2
Other	-0.5	1.1	7.1	-1.0	6.7	0.4	4.9	5.9	14.2	2.8	3.1	0.2	1.7
Budget Amendment ^a													25.0
Subtotal, Department of Defense	315.6	326.2	480.8	420.4	315.2	307.9	323.5	328.8	351.3	369.2	456.9	450.5	427.6
Department of Energy													
Atomic Energy Defense Activities	5.6	6.9	12.3	13.9	13.9	13.9	14.6	14.1	15.8	16.4	17.1	17.1	17.2
Other Agencies													
Defense-Related Activities	0.5	0.5	0.8	0.9	1.2	1.2	1.3	1.4	1.8	1.9	2.0	2.1	3.2
Total, National Defense	321.6	333.6	493.9	435.2	330.3	323.1	339.5	344.2	368.9	387.6	476.0	469.7	448.1

Sources: Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 82-85, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]; FY2005 deflators from Department of Defense Comptroller.

^a \$25 billion amendment to the FY2005 request, for Iraq and Afghanistan, submitted by the Bush administration to Congress on May 12, 2004, [http://www.whitehouse.gov/omb/budget/amendments/amendment_5_12_04.pdf]. The Administration did not allocate the \$25 billion by appropriations title, so in this table the amendment is reflected separately from the appropriations titles but as part of the Department of Defense subtotal and national defense total.

Table 4. National Defense Budget Function Outlays by Appropriations Title, FY1997-2009
(current year dollars in billions)

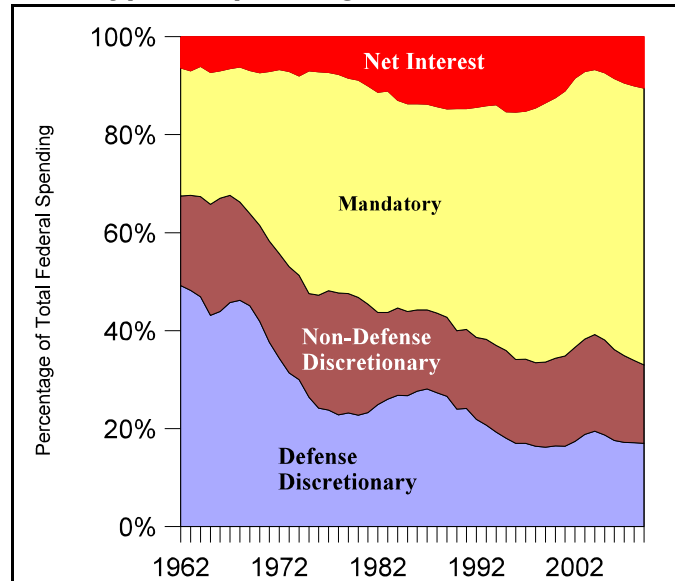
Fiscal Year	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Req. 2005	Proj. 2006	Proj. 2007	Proj. 2008	Proj. 2009
Department of Defense (military activities only)													
Military Personnel	69.7	69.0	69.5	76.0	74.0	86.8	106.7	117.3	108.9	110.4	111.4	117.8	121.6
Operation & Maintenance	92.4	93.4	96.3	105.8	112.0	130.0	151.4	165.7	163.9	147.0	151.2	155.8	161.9
Procurement	47.7	48.2	48.8	51.7	55.0	62.5	67.9	77.7	78.2	78.4	81.8	89.1	98.6
RDT&E	37.0	37.4	37.4	37.6	40.4	44.4	53.1	60.6	66.2	69.0	70.1	70.7	70.5
Military Construction	6.2	6.0	5.5	5.1	5.0	5.1	5.9	6.2	6.0	6.0	7.6	9.7	10.0
Family Housing	4.0	3.9	3.7	3.4	3.5	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5
Other	1.2	-1.9	0.6	1.6	1.1	-0.5	-1.5	3.4	2.4	0.6	0.3	0.1	0.8
Budget Amendment ^a									18.8	4.9	0.8	0.3	0.2
Subtotal, Department of Defense	258.3	256.1	261.3	281.2	291.0	332.0	387.3	434.8	448.4	415.5	426.9	447.6	467.9
Department of Energy													
Atomic Energy Defense Activities	11.3	11.3	12.2	12.1	12.9	14.8	16.0	16.6	17.7	18.4	17.9	17.1	16.9
Other Agencies													
Defense-Related Activities	1.0	1.1	1.4	1.2	1.6	1.8	1.6	2.3	3.3	2.2	2.3	2.4	2.4
Total, National Defense	270.5	268.5	274.9	294.5	305.5	348.6	404.9	453.7	469.4	436.1	447.0	467.1	487.2

Sources: Figures through FY2005 taken from Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 58-59, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]. Figures for FY2005 do not include the \$25 billion budget amendment for Iraq and Afghanistan submitted by the Bush Administration to Congress on May 12, 2004. Projected figures for FY2006-FY2009 for the Department of Defense taken from *National Defense Budget Estimates for FY2005*, Office of the Undersecretary of Defense (Comptroller), March 2004, p.133, [http://www.defenselink.mil/comptroller/debubudget/fy2005/fy2005_greenbook.pdf].

^a Based on unpublished CBO outlay estimates of the \$25 billion amendment to the FY2005 request, for Iraq and Afghanistan, submitted by the Bush administration to Congress on May 12, 2004, [http://www.whitehouse.gov/omb/budget/amendments/amendment_5_12_04.pdf].

Question 3: What Are the Historical Trends in Defense's Share of Total Federal Outlays?

Figure 4. Shares of Total Federal Outlays by Type of Spending, FY1962-FY2009



Source: Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 127-128, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]; FY2005 deflators from DOD Comptroller.

Notes: See p. 3 for definitions of mandatory and discretionary budget authority and outlays.

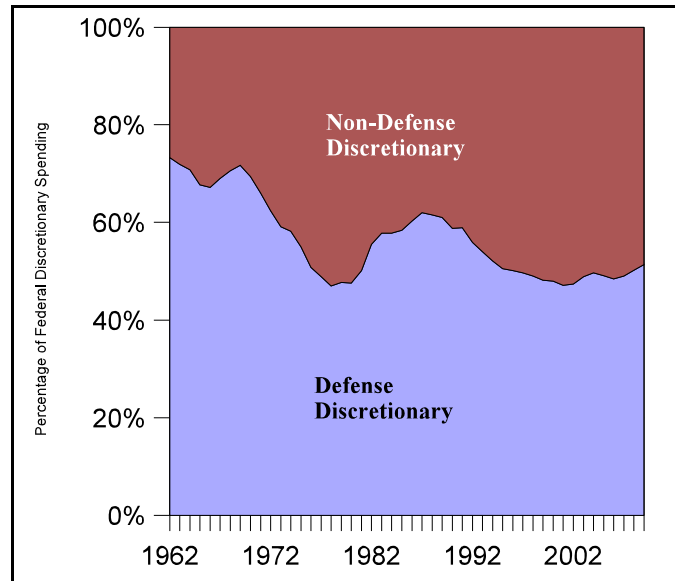
Figure 4 reveals two important long-term trends. The first trend is the decline of defense discretionary outlays as a percentage of total federal outlays since FY1962. In FY1962, defense discretionary represented 49.2%, or almost half, of total federal outlays, while in FY2003 its share of total federal outlays declined to 18.8%.

Defense discretionary outlays have declined consistently as a percentage of federal outlays in large part because of a second trend: the rapid increase of mandatory outlays, mostly for major “entitlement” programs. Between FY1962 and FY2004, mandatory outlays rose by 833% while defense outlays rose by 30% in real terms.⁴ The share of federal outlays of mandatory programs increased from 26.1% in FY1962 to 54.1% in FY2004 and is projected to reach 56.5% by FY2009.

⁴ Percent growth in mandatory outlays and defense outlays between FY1962 and FY2004 is measured in constant FY2000 dollars using figures from the Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, p. 126, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>].

Question 4: What Are the Historical Trends in Defense's Share of Total Federal *Discretionary* Outlays?

Figure 5. Defense and Non-Defense Discretionary Outlays as a Share of Total Federal Discretionary Outlays, FY1962-FY2009



Source: Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]; p.127.

Note: See p. 3 for definition of discretionary budget authority and outlays.

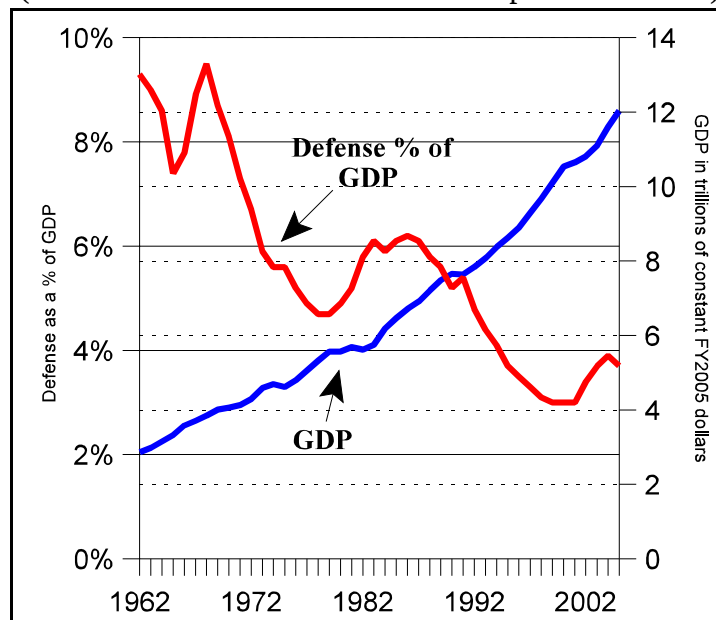
Defense discretionary outlays have declined from almost 75% of total discretionary outlays in FY1962 to just under 50% of total discretionary outlays in FY2003. This steady decline was interrupted significantly by the Reagan build-up of the 1980s, during which time defense discretionary outlays rose from 50.1% of total discretionary outlays in FY1981 to 62% in FY1987. Since FY1995, defense discretionary outlays have remained between 47% and 50% of total discretionary outlays, although this percentage has increased from 47.1% in FY2001 to 49.7% in FY2004. Under current projections, defense will rise to 51.4% of total discretionary outlays by FY2009.

Part II: The Impact of Defense on the Economy

The following section (questions 5, 6, and 7) looks at the impact of defense on the economy, measured in terms of defense outlays and federal outlays as a percentage of gross domestic product (GDP), and compares U.S. defense outlays to those of foreign countries.

Question 5: What Are the Historical Trends in U.S. Defense Outlays as a Percentage of Gross Domestic Product (GDP)?

Figure 6. GDP and Defense's Share of GDP, FY1962-FY2005
(constant FY2005 dollars in trillions / percent of GDP)



Source: GDP deflators and figures from the Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>], pp. 128, 184.

Advocates of higher defense spending frequently cite defense's declining percentage of GDP to argue that the nation can afford more for defense. These observers note that even with recent increases, defense spending is still at relatively low levels historically as a percentage of GDP, as shown in **Figure 6**. Whereas defense spending reached 9.5% of GDP in FY1968 and 6.2% of GDP in FY1986 at the height of the Reagan build-up, it equaled only 3.9% of GDP in FY2004.⁵

Others' counterargument, however, is that defense spending as a percentage of GDP is as much dependent on the level of GDP growth as it is dependent on the level of defense spending growth. Since 1962, GDP has grown 306% in real terms while

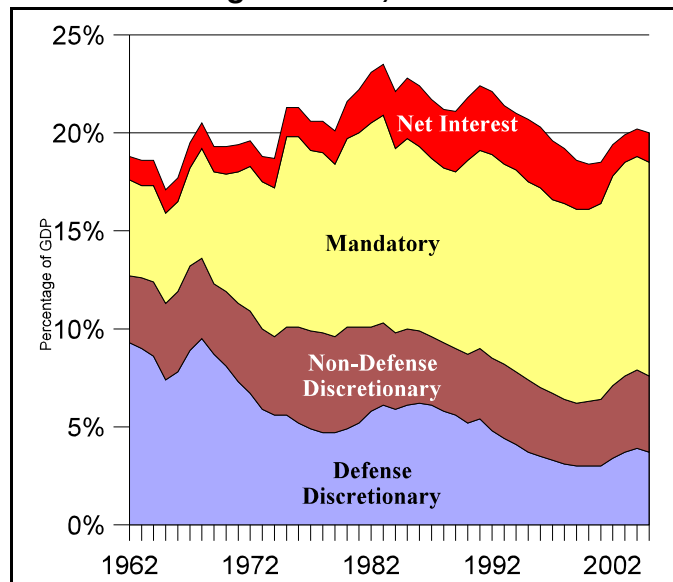
⁵See Table 12 in the Appendix for the data that correspond to Figures 6 and 7.

defense outlays have risen 30% during the same period.⁶ Therefore, some say, the story of defense's decline as a percentage of GDP is as much a story of the rapid growth of the U.S. economy as it is a story of declining defense spending.

Question 6: What Are the Historical Trends in Different Categories of Federal Spending as a Percentage of GDP?

It should be noted that the trend in defense outlays is part of a broader long-term trend in the federal budget, in which both defense and non-defense discretionary outlays have declined as shares of GDP while mandatory outlays have increased. As **Figure 7** below shows, total federal spending has been remarkably stable at about 20% of GDP over the past 40 years.

Figure 7. Federal Spending by Category as a Percentage of GDP, FY1962-FY2005



Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>], p. 128.

⁶ Percent growth in GDP and defense outlays between FY1962 and FY2004 is measured in constant FY2000 dollars using figures from the Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 126, 184-185, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>].

Question 7: How Do U.S. Defense Outlays Compare to Those of Other Countries, Both in Dollars and as a Percentage of GDP?

Table 5 ranks the top 25 countries in defense spending and lists the share of GDP that each country devotes to defense.

Table 5. Defense Spending of Top 25 Countries
(current year U.S. dollars in millions)

Country	Rank	WMEAT ^a 1999-2000		IISS Military Balance ^b 2003-2004	
		Defense Expenditures (1999 Data)	% GDP	Defense Expenditures (2002 Data)	% GDP
United States	1	281,000	3.0%	348,500	3.3%
China — Mainland	2	88,900	2.2%	51,000	4.1%
Japan	3	43,200	1.0%	39,500	1.0%
France	4	38,900	2.7%	40,200	2.5%
United Kingdom	5	36,500	2.5%	37,300	2.4%
Russia	6	35,000	5.6%	50,800	4.8%
Germany	7	32,600	1.6%	33,300	1.5%
Italy	8	23,700	2.0%	25,600	1.9%
Saudi Arabia	9	21,200	14.9%	22,200	12.0%
China — Taiwan	10	15,200	5.2%	7,900	2.7%
South Korea	11	11,600	2.9%	13,300	2.8%
India	12	11,300	2.5%	13,800	2.7%
Turkey	13	9,950	5.3%	9,200	5.1%
Brazil	14	9,920	1.9%	10,200	2.3%
Israel	15	8,700	8.8%	9,900	9.7%
Canada	16	8,320	1.4%	8,200	1.1%
Spain	17	7,560	1.3%	8,700	1.2%
Australia	18	7,060	1.8%	8,000	2.0%
Netherlands	19	7,030	1.8%	7,700	1.6%
Iran	20	6,880	2.9%	5,100	4.6%
Poland	21	6,690	2.1%	3,600	1.9%
Greece	22	6,060	4.7%	6,500	4.4%
Sweden	23	5,330	2.3%	4,200	1.7%
Dem. Rep. of Congo	24	5,150	14.4%	1,000	21.7%
Ukraine	25	5,110	3.0%	5,000	2.2%

Source: Data from the International Institute of Strategic Studies (IISS) and the U.S. Dept. of State.

^a U.S. Department of State, *World Military Expenditures and Arms Transfers* (WMEAT), Washington, February 2003; countries are ranked according to WMEAT figures.

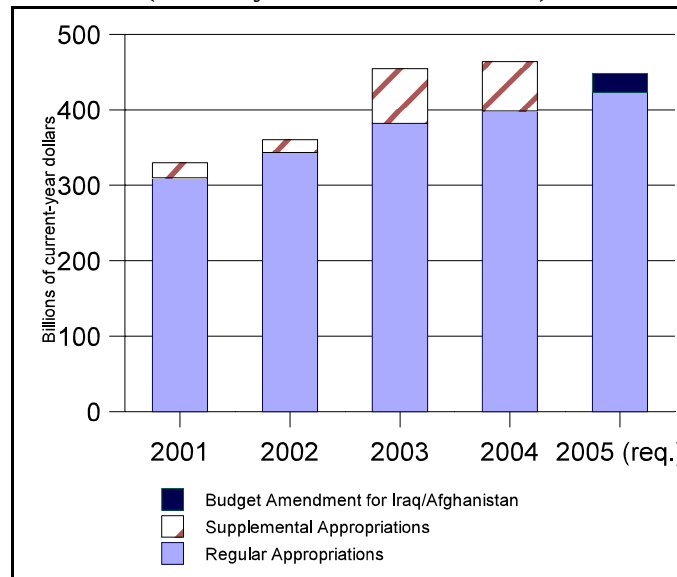
^b International Institute for Strategic Studies (IISS), *The Military Balance: 2003-2004* (Oxford University Press, 2003).

Part III: Costs of Wars and Defense Supplementals

The following section (questions 8 and 9) provides figures and analysis on the costs of wars and recent supplemental appropriations for the Department of Defense.

Question 8: How Much Has Congress Enacted in Defense Supplemental Appropriations since September 11, 2001?

Figure 8. Regular and Supplemental Defense Appropriations, FY2001-FY2005
(current year dollars in billions)



Source: House Appropriations Committee tables.

Note: FY2005 figures include the \$25 billion amendment to the FY2005 request, for Iraq and Afghanistan, submitted by the Bush Administration to Congress on May 12, 2004, [http://www.whitehouse.gov/omb/budget/amendments/amendment_5_12_04.pdf].

Congress enacted a total of \$165.63 billion⁷ in supplemental appropriations for defense from FY2001 through FY2004. More than half of this \$165.63 billion was enacted in FY2003 and FY2004 emergency supplemental appropriations, which funded the wars in Iraq and Afghanistan.⁸ As shown in **Figure 8**, the combination

⁷ Total excludes \$5.834 billion appropriated by Congress in P.L. 107-20, FY2001 non-emergency supplemental appropriations, enacted before September 11, 2001; total also reflects the \$3.49 billion rescission in P.L. 108-87, FY2004 DoD regular appropriations, of funds appropriated in P.L. 108-11, FY2003 emergency supplemental appropriations.

⁸For a detailed analysis, see CRS Report RL32090, *FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations and Reconstruction Assistance*, by Stephen Daggett, Larry Nowels, Curt Tarnoff, and Rhoda

of increased supplemental and regular appropriations has resulted in a significant increase in overall defense appropriations for the last four fiscal years. **Table 6** lists administration requests and the enacted levels of regular and supplemental appropriations for defense since FY2001. For FY2005, Figure 8 includes the \$25 billion budget amendment requested by the president on May 12, 2004 to cover the costs of Iraq and Afghanistan for part of FY2005.

⁸(...continued)
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Table 6. Regular and Supplemental Appropriations for the National Defense Budget Function, FY2001-2005
(current year dollars in millions)

	Request	Enacted	Difference
FY2001			
Regular Appropriations	305,312.9	309,974.0	+4,661.1
Supplemental Appropriations:			
Non-emergency supplemental H.R. 2216, P.L. 107-20 ^a	5,841.0	5,834.0	-7.0
Emergency supplemental H.R. 2228, P.L. 107-38	14,041.0	14,041.0	0.0
TOTAL FY2001	325,194.9	329,849.0	+4,654.1
FY2002			
Regular Appropriations	343,435.0	343,429.0	-6.0
Supplemental Appropriations			
Emergency Terrorism Response, H.R. 3338, P.L. 107-117	7,467.0	3,867.0	-3,600.0
Emergency supplemental, H.R. 4775, P.L. 107-206	14,022.0	13,370.0	-652.0
TOTAL FY2002	364,924.0	360,666.0	-4,258.0
FY2003			
Regular Appropriations	392,837.0	382,027.0	-10,809.0
Supplemental Appropriations			
Consolidated Appropriations Resolution, H.J.Res2	0	10,000.0	+10,000.0
Emergency supplemental, H.R. 1559, P.L. 108-11	62,587.0	62,583.0	-4.0
Rescission of funds from P.L. 108-11 ^b		-3,490.0	
TOTAL FY2003	455,424.0	451,120.0	-4,304.0
FY2004			
Regular Appropriations	400,476.0	398,688.0	-1,788.0
Supplemental Appropriations			
Emergency supplemental, H.R. 3289, P.L. 108-106	65,560.0	65,251.0	-309.0
TOTAL FY2004	466,036.0	463,939.0	-2,097.0
FY2005 (Request)			
Regular Appropriations^c	448,098.0		
Budget Amendment	25,000.0		
TOTAL FY2005	473,098.0		

Source: Conference Reports for each bill and House Appropriations Tables as printed in the Congressional Record. Total for FY2005 include the \$25 billion budget amendment for Iraq and Afghanistan submitted by the Bush Administration to Congress on May 12, 2004.

^a Enacted before September 11, 2001.

^b Congress rescinded \$3.49 billion from P.L. 108-11 (FY2003 emergency supplemental) in the FY2004 Department of Defense appropriations act (P.L. 108-87). This rescission reduces the funding scored in FY2004 but reduces the resources available in the FY2003 emergency supplemental.

^c Total includes \$25.0 billion budget amendment for Iraq and Afghanistan submitted by the Bush administration to Congress on May 12, 2004.

Question 9: How Much Has Each Major War in the History of the United States Cost?

Table 7 lists the costs of each major war in United States' history in current and constant FY2005 dollars.

Table 7. Costs of Major U.S. Wars
(amounts in millions and billions of dollars)

American Revolution		
Current Year	\$120	million
Constant FY2005 \$	\$3,315	million
War of 1812		
Current Year	\$89	million
Constant FY2005 \$	\$1,043	million
Mexican War		
Current Year	\$82	million
Constant FY2005 \$	\$1,841	million
Civil War: Union		
Current Year	\$2,300	million
Constant FY2005 \$	\$52,165	million
Civil War: Confederacy		
Current Year	\$1,000	million
Constant FY2005 \$	\$22,707	million
Spanish American War		
Current Year	\$270	million
Constant FY2005 \$	\$6,750	million
World War I^a		
Current Year	\$33	billion
Constant FY2005 \$	\$613	billion
World War II		
Current Year	\$360	billion
Constant FY2005 \$	\$5,008	billion
Korea		
Current Year	\$50	billion
Constant FY2005 \$	\$426	billion
Vietnam		
Current Year	\$111	billion
Constant FY2005 \$	\$609	billion
Persian Gulf War (1991)^b		
Current Year	\$61	billion
Constant FY2005 \$	\$86	billion

Sources and Notes: American Revolution through Korean War Costs from the *Statistical Abstract of the United States*, 1994; deflators and all other data from the Office of the Under Secretary of Defense (Comptroller). Costs for the American Revolution through the Korean War were converted to constant FY2005 dollars from figures cited in the *Statistical Abstract*.

^a World War I figures include the amount of war loans to allies, which totaled between \$9.4 and \$9.5 billion in current year dollars, or 28%-29% of the total cost.

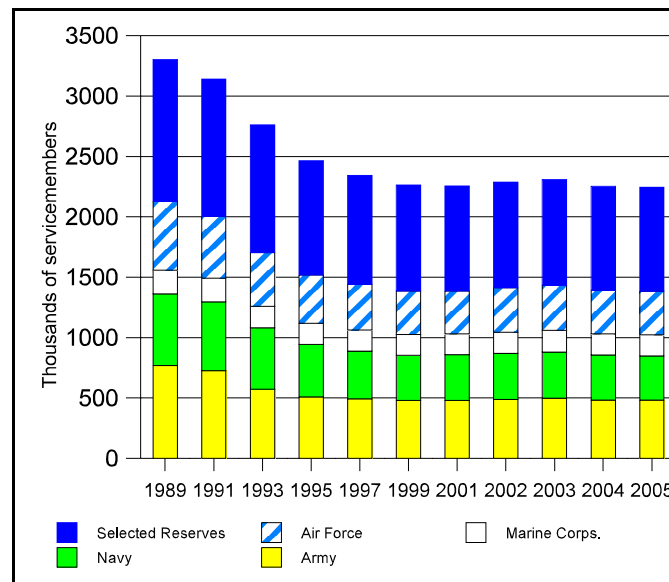
^b Most Persian Gulf War costs were offset by allied contributions or were absorbed by DOD. Net costs to U.S. taxpayers totaled \$4.7 billion in current year dollars, or 7.7% of the total cost. Source: Department of Defense Annual Report to Congress, January 1993.

Part IV: Trends in Force Structure

The following section (questions 10, 11, and 12) provides figures and analysis on U.S. military personnel levels, force structure, and budget authority by service.

Question 10: What Have Been the Recent Trends in U.S. Military Personnel Levels?

Figure 9. Active Duty and Selected Reserve End-Strength, Selected Years, FY1989-FY2005



Sources: See Table 8 sources on following page.

As shown in **Figure 9** and in **Tables 8 and 9**, the United States military experienced a sharp drawdown in military personnel and forces that began in the late 1980s and ended, for the most part, by FY1999. The decision to decrease both active duty and selected reserve forces reflected the disappearance of the Soviet threat and congressional efforts to reduce budget deficits in the 1990s.

Although Congress has enacted significant increases in funding for national defense, and military forces have been deployed in large numbers abroad since March 2003, the force structure has remained stable. In response to the demands of military operations in Iraq and Afghanistan, the Secretary of Defense has temporarily increased active-duty end strength temporarily by 30,000 troops, exercising authority that allows the President to waive authorized end strength ceilings in national emergencies.

Table 8. Department of Defense Personnel Levels, Selected Years
(end strength /civilian employees in thousands)^a

Fiscal Year:	Actual 1981	Actual 1985	Actual 1989	Actual 1991	Actual 1993	Actual 1995	Actual 1997	Actual 1999	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Proj. 2005
Army	781	781	770	725	572	509	492	479	481	487	499	482	482
Navy	540	571	593	571	510	435	396	373	378	383	382	374	366
Marine Corps	191	198	197	195	178	174	174	173	173	174	178	175	175
Air Force	570	602	571	511	444	400	378	361	354	368	375	359	360
Total Active	2,082	2,151	2,130	2,002	1,705	1,518	1,440	1,386	1,385	1,412	1,434	1,391	1,383
Selected Reserves	851	1,188	1,171	1,138	1,058	946	902	877	869	874	875	863	861
Total Civilians	984	1,107	1,075	1,013	891	802	723	666	647	645	636	648	651

Sources: Active duty force levels and selected reserve levels for FY2003-FY2005 from Department of Defense, Undersecretary of Defense Comptroller, *National Defense Budget Estimate for FY2005*, March 2004, pp. 33, 212-213, [http://www.defenselink.mil/comptroller/defbudget/fy2005/fy2005_greenbook.pdf]. Selected reserve levels for prior years from U.S. Department of Defense, *Manpower Requirements Report, FY1998*, July 1998 and prior years; and from Office of Management and Budget, *Budget of the United States Government for FY2002: Appendix*, April 2001 and prior years. Civilian levels from Office of Management and Budget, *Historical Tables: Budget of the United States Government for FY2005*, February 2004, pp. 295-296, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>].

^aEnd strength refers to the number of military personnel on board on the last day of a fiscal year. Selected reserves do not include Standby Reserve, Individual Ready Reserve, and Inactive National Guard. Totals may not add due to rounding.

Question 11: What Are the Recent Trends in U.S. Military Force Structure?

Table 9 lists the force structure for each service from FY1980 through FY2005.

Table 9. U.S. Military Force Structure, FY1980-2005

Fiscal Year	Army Divisions		Marine Divisions		Naval Forces		Air Force Tactical Wings	
	Active	Reserve	Active	Reserve	Carriers	Total	Active	Reserve
1980	16	8	3	1	13	477	26	11
1981	16	8	3	1	13	491	26	11
1982	16	8	3	1	14	513	26	12
1983	16	8	3	1	14	514	25	12
1984	16	9	3	1	14	524	25	12
1985	17	10	3	1	14	542	25	12
1986	18	10	3	1	14	556	25	12
1987	18	10	3	1	15	569	25	12
1988	18	10	3	1	15	566	25	12
1989	18	10	3	1	15	567	25	12
1990	18	10	3	1	15	546	24	12
1991	16	10	3	1	15	526	22	13
1992	14	10	3	1	14	466	16	13
1993	14	10	3	1	13	434	16	11
1994	12	8	3	1	12	387	13	9
1995	12	8	3	1	11+1	373	13	8
1996	10	8	3	1	11+1	365	13	7
1997	10	8	3	1	11+1	357	13	7
1998	10	8	3	1	11+1	333	13	7
1999	10	8	3	1	11+1	317	13	7.2
2000	10	8	3	1	11+1	316	13	7.6
2001	10	8	3	1	11+1	316	12.6	7.6
2002	10	8	3	1	11+1	315	12+	7+
2003	10	8	3	1	11+1	296	12+	7+
2004	10	8	3	1	11+1	292	12+	7+
2005	10	8	3	1	11+1	290	12+	7+

Sources: [<http://www.defenselink.mil/pubs/almanac/>]; U.S. Navy, *Highlights of the Department of the Navy FY2005 Budget*, [<http://navweb.secnav.navy.mil>]; briefing materials accompanying the FY2005 budget request and similar materials provided in prior years; CRS Report 90-401, *U.S./Soviet Military Balance: Statistical Trends, 1980-1989*, RCO, by John M. Collins and Dianne E. Rennack; CRS Report 91-672, *U.S. Armed Forces: Statistical Trends, 1985-1990*, by John M. Collins and Dianne E. Rennack; U.S. Department of the Navy (Program Information Center), *Listing of U.S. Naval Ship Battle Forces as of 30 September 1993*, Washington 1993 and previous editions.

Notes: Figures for FY2004 and FY2005 are Administration projections.

^a Air Force figures do not include a wing of F-117 aircraft prior to FY1990.

^b Carrier figures exclude one auxiliary training carrier for FY1980-92 but include one operational reserve training carrier (shown as “+1”) since FY1995.

Question 12: How Much Budget Authority Has Been Provided to Each Service in Recent Years?

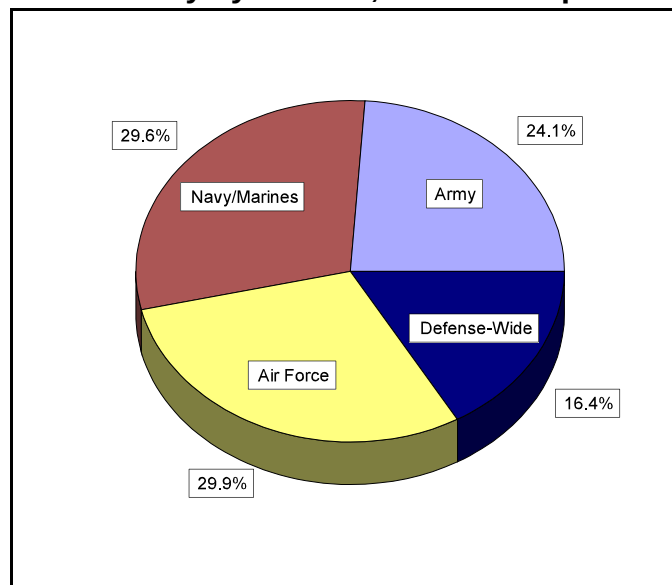
Table 10 shows Department of Defense budget authority by service from FY1995-FY2005, and **Figure 10** shows the Administration's FY2005 request by service as a percent of total Department of Defense budget authority.

Table 10. Department of Defense Budget Authority by Service, FY1995-FY2005

(current year dollars in billions/percent of total)

Fiscal Year:	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Proj. 2005
Army	63.3	64.5	64.4	64.0	68.4	73.2	77.0	85.9	121.1	132.9	97.0
% of DOD Total	24.8%	25.4%	25.0%	24.8%	24.5%	25.2%	24.9%	24.9%	27.7%	30.1%	24.1%
Navy/Marines	76.9	80.0	79.5	80.7	84.0	88.8	95.5	102.4	124.0	120.3	119.2
% of DOD Total	30.1%	31.4%	30.8%	31.2%	30.2%	30.6%	30.8%	29.6%	28.3%	27.2%	29.6%
Air Force	73.9	73.0	73.2	76.3	81.9	83.1	89.5	100.2	125.2	124.0	120.4
% of DOD Total	28.9%	28.7%	28.4%	29.5%	29.4%	28.6%	28.9%	29.0%	28.6%	28.1%	29.9%
Defense Wide	41.6	37.0	40.8	37.6	44.3	45.5	47.9	57.1	67.4	64.5	66.0
% of DOD Total	16.3%	14.5%	15.8%	14.5%	15.9%	15.7%	15.4%	16.5%	15.4%	14.6%	16.4%
DOD Total	255.7	254.4	258.0	258.6	278.6	290.5	309.9	345.6	437.7	441.7	402.6

Figure 10. Department of Defense Budget Authority by Service, FY2005 Request



Source: Department of Defense Comptroller, *National Defense Budget Estimates for FY2005*, April 2004, [http://www.defenselink.mil/comptroller/defbudget/fy2005/fy2005_greenbook.pdf].

Part V: Appendix and Glossary

Part V provides additional data tables and a glossary of frequently used defense budget terms.

Table 11 provides the real growth/decline in national defense budget authority and outlays from FY1940 to FY2009, in both current and constant FY2005 dollars. **Table 12** lists national defense outlays as a percentage of GDP from FY1910 to FY2009. The amounts of defense discretionary spending, non-defense discretionary spending, mandatory spending, and net interest that make up total federal outlays from FY1962 to FY2009 are shown in **Table 13**, while **Table 14** shows each of these four categories as a percentage of total federal outlays from FY1962 to FY2009.

Table 11. Real Growth/Decline in National Defense Budget Authority and Outlays, FY1940-FY2009
(current and constant FY2005 dollars in billions)

FISCAL YEAR	BUDGET AUTHORITY			OUTLAYS		
	Current Dollars	Constant FY2005 Dollars	Real Growth/ Decline	Current Dollars	Constant FY2005 Dollars	Real Growth/ Decline
1940				1.7	30.0	
1941				6.4	97.9	226.8%
1942				25.7	329.7	236.7%
1943				66.7	806.5	144.6%
1944				79.1	1,055.0	30.8%
1945	39.2	740.8		83.0	1,202.4	14.0%
1946	44.0	637.7	-13.9%	42.7	647.7	-46.1%
1947	9.0	138.4	-78.3%	12.8	182.7	-71.8%
1948	9.5	122.5	-11.5%	9.1	125.2	-31.5%
1949	10.9	149.0	21.60%	13.2	173.5	38.5%
1950	16.5	187.2	25.6%	13.7	170.3	-1.9%
1951	57.8	488.8	161.1%	23.6	261.0	53.3%
1952	67.5	594.3	21.6%	46.1	451.0	72.8%
1953	56.9	522.8	-12.0%	52.8	497.7	10.4%
1954	38.7	383.5	-26.7%	49.3	473.3	-4.9%
1955	32.9	326.7	-14.8%	42.7	408.1	-13.8%
1956	35.0	325.1	-0.5%	42.5	385.5	-5.5%
1957	39.4	348.8	7.3%	45.4	390.6	1.3%
1958	40.1	335.8	-3.7%	46.8	380.9	-2.5%
1959	45.1	352.8	5.1%	49.0	380.0	-0.3%
1960	44.3	340.8	-3.4%	48.1	370.8	-2.4%
1961	45.1	344.5	1.1%	49.6	369.9	-0.2%
1962	50.2	376.6	9.3%	52.3	390.9	5.7%
1963	52.1	382.6	1.6%	53.4	395.3	1.1%
1964	51.6	365.7	-4.4%	54.8	391.1	-1.0%
1965	50.6	350.6	-4.1%	50.6	359.0	-8.2%
1966	64.4	405.6	15.7%	58.1	383.1	6.7%
1967	73.1	442.8	9.2%	71.4	441.9	15.4%
1968	77.2	450.8	1.8%	81.9	480.8	8.8%
1969	78.5	440.8	-2.2%	82.5	469.5	-2.3%
1970	75.3	401.0	-9.0%	81.7	436.2	-7.1%
1971	72.7	365.7	-8.8%	78.9	398.1	-8.7%
1972	76.4	351.6	-3.9%	79.2	369.3	-7.2%
1973	79.1	335.6	-4.6%	76.7	336.9	-8.8%
1974	81.5	318.2	-5.2%	79.3	322.4	-4.3%
1975	86.2	307.6	-3.3%	86.5	315.0	-2.3%
1976	97.3	321.6	4.6%	89.6	305.1	-3.1%
1977	110.2	334.5	4.0%	97.2	307.4	0.8%
1978	117.2	329.8	-1.4%	104.5	307.5	0.0%
1979	126.5	328.1	-0.5%	116.3	316.9	3.1%
1980	143.9	333.6	1.7%	134.0	324.9	2.5%
1981	180.0	370.8	11.1%	157.5	339.5	4.5%
1982	216.5	410.0	10.6%	185.3	362.6	6.8%
1983	245.0	442.7	8.0%	209.9	391.0	7.8%
1984	265.2	462.5	4.5%	227.4	406.7	4.0%
1985	294.7	493.9	6.8%	252.7	433.2	6.5%
1986	289.1	474.9	-3.8%	273.4	455.1	5.0%
1987	287.4	460.2	-3.1%	282.0	456.5	0.3%

FISCAL YEAR	BUDGET AUTHORITY			OUTLAYS		
	Current Dollars	Constant FY2005 Dollars	Real Growth/Decline	Current Dollars	Constant FY2005 Dollars	Real Growth/Decline
1988	292.0	451.3	-1.9%	290.4	454.9	-0.4%
1989	299.6	445.5	-1.3%	303.6	456.0	0.3%
1990	301.2	435.2	-2.3%	297.9	435.3	-4.5%
1991	296.2	411.5	-5.4%	296.7	417.1	-4.2%
1992	287.7	390.8	-5.0%	286.1	389.0	-6.7%
1993	281.1	374.2	-4.2%	283.9	376.1	-3.3%
1994	263.3	343.2	-8.3%	278.9	360.8	-4.1%
1995	266.4	340.0	-0.9%	271.0	345.0	-4.4%
1996	266.2	332.5	-2.2%	265.2	331.0	-4.1%
1997	270.4	330.3	-0.7%	270.5	328.9	-0.6%
1998	271.3	323.1	-2.2%	268.5	318.9	-3.0%
1999	292.3	339.5	5.1%	274.9	320.3	0.4%
2000	304.1	344.2	1.4%	294.5	333.5	4.1%
2001	335.5	368.9	7.2%	305.5	335.6	0.6%
2002	362.1	387.6	5.1%	348.6	372.3	10.9%
2003	456.2	476.0	22.8%	404.9	422.5	13.5%
2004	460.5	469.7	-1.3%	453.7	462.1	9.4%
2005	448.1	448.1	-4.6%	469.4	469.4	1.6%
2006	444.0	433.7	-3.2%	441.0	431.3	-8.1%
2007	464.8	443.0	2.1%	447.9	427.9	-0.8%
2008	485.8	451.5	1.9%	467.4	435.7	1.8%
2009	508.2	460.5	2.0%	487.4	443.2	1.7%

Sources: Current dollar budget authority figures for FY1940-FY1975 from Department of Defense Comptroller, *National Defense Budget Estimates for FY1982*, March 1983; all other current dollar figures from U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>]; constant dollar figures calculated by CRS using FY2005 deflators from Department of Defense Comptroller.

Note: CBO outlay estimates for \$25 billion budget amendment for Iraq and Afghanistan included in FY2005 outlay figures. FY2006-FY2009 outlay estimates for the amendment were not available at the printing of this report.

**Table 12. National Defense Outlays as a Percentage of GDP,
FY1910-FY2009**
(current year dollars in billions)

Fiscal Year	National Defense Outlays	GNP/GDP ^a	Outlays as % of GNP/GDP	Fiscal Year	National Defense Outlays	GNP/GDP	Outlays as % of GNP/GDP
1910	0.3	35.3	0.8%	1960	48.1	518.9	9.3%
1911	0.3	35.8	0.8%	1961	49.6	529.9	9.4%
1912	0.3	39.4	0.7%	1962	52.3	567.8	9.2%
1913	0.3	39.6	0.7%	1963	53.4	599.2	8.9%
1914	0.3	38.6	0.8%	1964	54.8	641.4	8.5%
1915	0.3	40.0	0.7%	1965	50.6	687.5	7.4%
1916	0.3	48.3	0.6%	1966	58.1	755.8	7.7%
1917	0.6	60.4	1.0%	1967	71.4	810.2	8.8%
1918	7.1	76.4	9.3%	1968	81.9	868.5	9.4%
1919	13.5	84.0	16.1%	1969	82.5	948.3	8.7%
1920	4.0	91.5	4.4%	1970	81.7	1,012.9	8.1%
1921	2.6	69.6	3.7%	1971	78.9	1,080.3	7.3%
1922	0.9	74.1	1.3%	1972	79.2	1,176.9	6.7%
1923	0.7	85.1	0.8%	1973	76.7	1,311.0	5.9%
1924	0.6	84.7	0.8%	1974	79.3	1,438.9	5.5%
1925	0.6	93.1	0.6%	1975	86.5	1,560.8	5.5%
1926	0.6	97.0	0.6%	1976	89.6	1,738.8	5.7%
1927	0.6	94.9	0.6%	1977	97.2	1,974.4	5.6%
1928	0.7	97.0	0.7%	1978	104.5	2,218.3	5.3%
1929	0.7	103.1	0.7%	1979	116.3	2,502.4	5.2%
1930	0.7	97.4	0.8%	1980	134.0	2,725.4	4.9%
1931	0.7	83.8	0.9%	1981	157.5	3,058.6	5.1%
1932	0.7	67.6	1.0%	1982	185.3	3,225.5	5.7%
1933	0.6	57.6	1.1%	1983	209.9	3,442.7	6.1%
1934	0.5	61.2	0.9%	1984	227.4	3,846.7	5.9%
1935	0.7	69.6	1.0%	1985	252.7	4,148.9	6.1%
1936	0.9	78.5	1.2%	1986	273.4	4,406.7	6.2%
1937	0.9	87.8	1.1%	1987	282.0	4,654.4	6.1%
1938	1.0	89.0	1.2%	1988	290.4	5,011.9	5.8%
1939	1.1	89.1	1.2%	1989	303.6	5,401.7	3.1%
1940	1.7	96.8	1.7%	1990	299.3	5,737.0	5.2%
1941	6.4	114.1	5.6%	1991	273.3	5,934.2	4.6%
1942	25.7	144.3	17.8%	1992	298.4	6,240.6	4.8%
1943	66.7	180.3	37.0%	1993	291.1	6,578.4	4.4%
1944	79.1	209.2	37.9%	1994	281.6	6,964.2	4.1%
1945	83.0	221.3	37.5%	1995	272.1	7,325.1	3.7%
1946	42.7	222.7	19.2%	1996	265.8	7,697.4	3.5%
1947	12.8	233.2	5.5%	1997	270.5	8,186.6	3.3%
1948	9.1	256.7	3.6%	1998	268.5	8,626.3	3.1%
1949	13.2	271.3	4.8%	1999	274.9	9,127.0	3.0%
1950	13.7	273.2	5.0%	2000	294.5	9,708.4	3.0%
1951	23.6	320.3	7.3%	2001	305.5	10,040.7	3.0%
1952	46.1	348.7	13.2%	2002	348.6	10,373.4	3.4%
1953	52.8	372.6	14.1%	2003	404.9	10,828.3	3.7%
1954	49.3	377.1	13.1%	2004	453.7	11,466.0	3.9%
1955	42.7	395.9	10.8%	2005	469.4	12,042.4	3.9%
1956	42.5	427.0	9.9%	2006	441.0	12,641.1	3.5%
1957	45.4	450.9	10.1%	2007	447.9	13,279.1	3.4%
1958	46.8	460.0	10.2%	2008	467.4	13,972.6	3.3%
1959	49.0	490.2	10.0%	2009	487.4	14,701.6	3.3%

Sources: Outlays, FY1910-FY1939, and GNP/GDP, FY1910-FY1939, from U.S. Department of Commerce, *Historical Statistics of the United States* (Washington: GPO, 1975); outlays, FY1940-FY2009, and GDP, FY1940-FY2009, from U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2005*, February 2004, pp. 110, 184-185.

^a Figures for FY1910-FY1929 were calculated in gross national product (GNP) rather than GDP.

Table 13. Allocation of Federal Outlays by Budget Enforcement Act Category, FY1962-FY2009
(current year dollars in billions)

Fiscal Year	Defense Discretionary Outlays	Non-Defense Discretionary Outlays	Mandatory Outlays	Net Interest	Total Federal Outlays
1962	52.6	19.5	27.9	6.9	106.8
1963	53.7	21.6	28.3	7.7	111.3
1964	55.0	24.1	31.2	8.2	118.5
1965	51.0	26.8	31.8	8.6	118.2
1966	59.0	31.1	35.0	9.4	134.5
1967	72.0	34.5	40.7	10.3	157.5
1968	82.2	35.8	49.1	11.1	178.1
1969	82.7	34.6	53.6	12.7	183.6
1970	81.9	38.3	61.0	14.4	195.6
1971	79.0	43.5	72.8	14.8	210.2
1972	79.3	49.2	86.7	15.5	230.7
1973	77.1	53.3	98.0	17.3	245.7
1974	80.7	57.5	109.7	21.4	269.4
1975	87.6	70.3	151.1	23.2	332.3
1976	89.9	85.7	169.5	26.7	371.8
1977	97.5	99.6	182.2	29.9	409.2
1978	104.6	114.1	204.6	35.5	458.7
1979	116.8	123.2	221.4	42.6	504.0
1980	134.6	141.7	262.1	52.5	590.9
1981	158.0	149.9	301.6	68.8	678.2
1982	185.9	140.0	334.8	85.0	745.7
1983	209.9	143.4	365.2	89.8	808.4
1984	228.0	151.4	361.3	111.1	851.9
1985	253.1	162.7	401.1	129.5	946.4
1986	273.8	164.7	415.9	136.0	990.4
1987	282.5	161.7	421.3	138.6	1,004.1
1988	290.9	173.5	448.2	151.8	1,064.5
1989	304.0	184.8	485.8	169.0	1,143.6
1990	300.1	200.4	568.2	184.3	1,253.2
1991	319.7	213.6	596.6	194.4	1,324.4
1992	302.6	231.2	648.5	199.3	1,381.7
1993	292.4	247.0	671.4	198.7	1,409.5
1994	282.3	259.1	717.5	202.9	1,461.9
1995	273.6	271.3	738.8	232.1	1,515.8
1996	266.0	266.7	786.8	241.1	1,560.5
1997	271.7	275.6	810.0	244.0	1,601.2
1998	270.2	281.9	859.4	241.1	1,652.6
1999	275.5	296.5	900.1	229.8	1,701.9
2000	295.0	319.9	951.0	223.0	1,788.8
2001	306.1	343.3	1,008.3	206.2	1,863.8
2002	348.9	385.4	1,105.7	171.0	2,011.0
2003	404.9	420.8	1,178.9	153.1	2,157.6
2004	451.6	456.6	1,254.4	156.3	2,318.8
2005	467.0	465.8	1,307.9	177.9	2,399.8
2006	434.6	457.7	1,367.6	213.4	2,473.3
2007	445.6	458.8	1,441.5	246.2	2,592.1
2008	465.5	457.4	1,526.7	274.6	2,724.3
2009	485.6	456.7	1,612.0	299.1	2,853.5

Source: Office of Management and Budget: *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, p. 125, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>].

**Table 14. Percentage Allocation of Federal Outlays by
Budget Enforcement Act Category, FY1962-FY2009**
(percentage of total outlays)

Fiscal Year	Defense Discretionary Outlays	Non-Defense Discretionary Outlays	Mandatory Outlays	Net Interest	Defense Share Discretionary
1962	49.2	18.3	26.1	6.4	73.0
1963	48.3	19.4	25.4	7.0	71.3
1964	46.4	20.3	26.3	6.9	69.5
1965	43.1	22.6	26.9	7.3	65.6
1966	43.9	23.2	26.0	7.0	65.5
1967	45.7	21.9	25.9	6.5	67.6
1968	46.1	20.1	27.5	6.2	69.7
1969	45.0	18.8	29.2	6.9	70.5
1970	41.9	19.6	31.2	7.4	68.1
1971	37.6	20.7	34.6	7.1	64.5
1972	34.4	21.3	37.6	6.7	61.7
1973	31.4	21.7	39.9	7.1	59.1
1974	30.0	21.3	40.7	8.0	58.4
1975	26.4	21.2	45.5	7.0	55.4
1976	24.2	23.1	45.6	7.2	51.2
1977	23.8	24.3	44.5	7.3	49.5
1978	22.8	24.9	44.6	7.7	47.8
1979	23.2	24.4	43.9	8.5	48.7
1980	22.8	24.0	44.4	8.9	48.7
1981	23.3	22.1	44.5	10.1	51.3
1982	24.9	18.8	44.9	11.4	57.0
1983	26.0	17.7	45.2	11.1	59.4
1984	26.8	17.8	42.4	13.0	60.1
1985	26.7	17.2	42.4	13.7	60.9
1986	27.6	16.6	42.0	13.7	62.4
1987	28.1	16.1	42.0	13.8	63.6
1988	27.3	16.3	42.1	14.3	62.6
1989	26.6	16.2	42.5	14.8	62.2
1990	24.0	16.0	45.3	14.7	59.9
1991	24.1	16.1	45.0	14.7	59.9
1992	21.9	16.7	46.9	14.4	56.7
1993	20.7	17.5	47.6	14.1	54.2
1994	19.3	17.7	49.1	13.9	52.1
1995	18.0	17.9	48.7	15.3	50.2
1996	17.0	17.1	50.4	15.4	49.9
1997	17.0	17.2	50.6	15.2	49.7
1998	16.4	17.1	52.0	14.6	48.9
1999	16.2	17.4	52.9	13.5	48.2
2000	16.5	17.9	53.2	12.5	48.0
2001	16.4	18.4	54.1	11.1	47.1
2002	17.4	19.2	55.0	8.5	47.5
2003	18.8	19.5	54.6	7.1	49.0
2004	19.5	19.7	54.1	6.7	49.7
2005	18.7	19.4	54.5	7.4	49.1
2006	17.6	18.5	55.3	8.6	48.7
2007	17.2	17.7	55.6	9.5	49.3
2008	17.1	16.8	56.0	10.1	50.4
2009	17.0	16.0	56.5	10.5	51.5

Source: Office of Management and Budget: *Budget of the United States Government, Fiscal Year 2005: Historical Tables*, February 2004, p. 127, [<http://www.whitehouse.gov/omb/budget/fy2005/pdf/hist.pdf>].

Glossary

The definitions that follow are taken from Office of Management and Budget and Department of Defense publications.

Accrual Accounting — as applied to military retired pay, a method of recording costs designed to reflect the liability of the federal government for the future retirement costs of military personnel currently on active or reserve duty. First used in FY1985 in DOD, this method of accounting represents a change from the earlier practice in which the cost of military retirement was measured in terms of actual payments to current retirees.

Appropriation — one form of budget authority provided by Congress for the funding of an agency, department, or program for a given amount of time. An appropriation provides funds for purposes specifically designated by Congress. Funds will not necessarily all be spent in the year in which they are initially provided.

Authorization — establishes or maintains a government program or agency by defining its scope. Authorizing legislation is normally a prerequisite for appropriations and may set specific limits on the amount that may be appropriated for the specified program or agency. An authorization, however, does not make money available, and sometimes appropriations are made without having been authorized.

Budget Authority — legal authority for an agency to enter into obligations for the provision of goods or services. It may be available for one or more years. An appropriation is one form of budget authority.

Current/Constant Dollars — the cost of goods or services in current dollars is the value in terms of prices current at the time of purchase — current dollars are also referred to simply as “dollars” or as “then-year dollars.” The cost of goods or services in constant dollars is the value adjusted to eliminate the effects of changes in prices (usually due to inflation). Constant dollars, expressed in terms of a selected reference year (generally the most recent fiscal year), are determined by dividing current dollars by a “deflator” based on the prices in the reference year. Constant dollars are used to assess changes in funding of programs independently of the effects of inflation. Growth rates in constant, inflation-adjusted dollars are referred to as “real growth” rates.

Deficit — in the federal budget, the amount by which total federal budget outlays for a given fiscal year exceed total federal revenues for that year.

Fiscal Year — a fiscal year in the federal government begins on October 1 and ends on September 30 and is designated by the calendar year in which it ends. Thus, FY2005 begins on October 1, 2004 and will end on September 30, 2005. (Note that the federal fiscal year ran from July 1 to June 30 until FY1977.)

National Defense Budget Function — one of the categories of the federal budget. It consists of the Department of Defense (DOD) budget, which funds all direct DOD military programs, and a number of defense-related activities administered by other agencies. These activities include atomic energy defense activities funded through the Department of Energy, civil defense programs administered by the Federal Emergency Management Agency, and the Selective Service System. The DOD budget constitutes more than 95% of the National Defense Budget Function.

Obligation — an order placed, contract awarded, service agreement undertaken, or other commitments made by federal agencies during a given period which will require outlays during the same or some future period.

Outlays — money spent by a federal agency from funds provided by Congress. Outlays in a given fiscal year are a result of obligations that in turn follow the provision of budget authority.

Unexpended Funds — budget authority that has been appropriated by Congress, but remains unspent, representing future outlays. Unexpended funds, whether obligated or as yet unobligated, are formally appropriated by Congress for specific programs.

Unobligated Funds — budget authority that has been appropriated by Congress for specific programs but that has not yet been pledged or obligated by contract.

CRS Defense Reports

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Selected defense-related products include:

CRS Report RL32305, *Authorization and Appropriations for FY2005: Defense*, by Stephen Daggett and Amy Belasco.

CRS Issue Brief IB85159, *Military Retirement: Major Legislative Issues*, by Robert L. Goldich.

CRS Issue Brief IB93103, *Military Medical Care Services: Questions and Answers*, by Richard A. Best, Jr.

CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers*, by Robert L. Goldich.

CRS Report RS20851, *Naval Transformation: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS21059, *Navy DD(X) Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS21195, *Evolutionary Acquisition and Spiral Development in DoD Programs: Policy Issues for Congress*, by Gary J. Pagliano and Ronald O'Rourke.

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CRS Report RL30802, *Reserve Component Personnel Issues: Questions and Answers*, by Lawrence Kapp.

CRS Report RL32141, *Funding for Military and Peacekeeping Operations: Recent History and Precedents*, by Jeffrey Chamberlin.

CRS Report RL32321, *Policing in Peacekeeping and Related Stability Operations: Problems and Proposed Solutions*, by Nina M. Serafino.

CRS Report RS21822, *Military Base Closures: DoD's 2005 Internal Selection Process*, by Daniel Else